

# Statement of Corporate Intent 2020-21 to 2023-24

31 August 2020

# Statement of preparation

Defence Housing Australia's Statement of Corporate Intent 2020–21 to 2023–24 was prepared in 2020, and covers the financial years from 2020–21 to 2023–24 in accordance with paragraph 35(1) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

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PART 1

# Introduction and purpose

Introduction

Overview

Our purpose

Our structure







# Introduction

Defence Housing Australia's (DHA) Statement of Corporate Intent for 2020–21 to 2023–24 sets out our purpose, strategy, priorities, objectives, and key initiatives for providing adequate housing and related services for ADF members and their families, in a sustainable and efficient way to support Defence capability and deliver value to the Australian Government.

We have a clear purpose. DHA was established in 1988 following passage of the *Defence Housing Australia Act 1987* (DHA Act) to provide adequate and suitable housing, and housing-related services, to members of the Australian Defence Force (ADF) and their families. This primary purpose has remained unchanged over the last 30 years. We continue to put ADF members and their families at the heart of our operations, and our services are highly valued. We can be enormously proud of the work we do.

We continue to see rapid change and disruption driven by volatile market conditions, digital transformation, economic, demographic, macro-regulatory and policy shifts, and in 2020 a global health crisis. We recognise that these risks and the opportunities disruption brings mean that we need to continue to evolve and adapt. Our focus over the last 12 months has been on developing a revised and more sustainable business model. This Statement of Corporate Intent articulates the implementation of the revised business model and how we will build our capacity to be flexible and innovative in response to our changing operating environment.

We are pleased to present our Statement of Corporate Intent 2020–21. Our four strategic priorities provide a framework for setting goals to achieve the outcome mandated by government—housing services that meet Defence's operational needs through a strong customer and business focus. We will focus on more efficient, proactive and sustainable ways to do business and deliver services to meet the needs of Defence and the Government as the owner of the business. We are proud to be an organisation that plays such a critical role in supporting Defence capability.



# Overview

During 2019–20, we continued to ensure that our purpose—to deliver housing and related services that support the operational, recruitment and retention goals of the ADF—is at the centre of everything that we do.

The context within which DHA operates is complex and constantly evolving. In 2019–20 external factors continued to challenge our traditional ways of doing business. Falling property markets, evolving housing preferences, and rapid changes in the societal, technological, environmental and economic context compelled us to undertake a number of significant activities to address these challenges to better position DHA to continue to meet the housing needs of ADF members in a financially sustainable way. In particular, the COVID-19 pandemic brought new challenges, which resulted in us developing innovative ways of delivering services to ensure we continued to meet the needs of our customers.

## Supporting Defence capability

During 2019–20, DHA continued to support Defence capability through:

- › achieving 99.26% of the provisioning target for Members with Dependents as at 30 June 2020
- › consistently achieving high customer satisfaction results
- › establishing region specific investment strategies, rebalancing the portfolio to be held as investment stock (strategically) or made available for Property Investment Program inventory stock to support both financial and provisioning outcomes
- › focusing on the role of leasing activity in provisioning—particularly conversion rates to new leases for properties due to leave the portfolio
- › setting appropriate provisioning levels at a regional level by rent band—taking into account the historical occupation levels of DHA properties by ADF members and the impacts of relatively high civilian tenancy in our stock (by bringing that stock back to the portfolio for ADF members to select)

- › implementing strategies to improve inventory stock, saleability and profitability, by focusing on property maintenance, resulting in additional properties becoming available for the sales program.

DHA continues to deliver housing requirements through existing developments and an increased leasing program.

We have continued our efforts to increase the flexibility of the DHA portfolio in order to meet ADF member preferences for housing solutions and provide the broadest options for housing solutions. These efforts are different on a region by region basis and need to take into account a range of elements, including:

- › local housing product—what is being produced by the market to lease or acquire without requiring significant capital outlay to meet Defence requirements
- › introduction of a suitable offer townhouse product for major metropolitan locations (Sydney and Canberra)

- › adjusting the provisioning area in Perth and Rockingham to better balance the portfolio to local requirements and the preferences of ADF members.

The Arkadia apartment project in Sydney's inner suburb of Alexandria was officially opened in February 2020 and comprises some 152 studio and terrace apartments. This high quality complex will service the housing needs of our Sydney based ADF families well into the future.

The DHA Torhaven Development at Ipswich has been recognised for its ground-breaking treatment of floodplains, and has attracted three prestigious industry awards, including winning the 2019 Stormwater Queensland Awards for Excellence—Excellence in Infrastructure category and being a finalist for the 2019 Sustainability Awards—Landscape and Biophilia category and 2019 Australian Water Awards—Innovation category.

## Key activities during 2019–20

During the 2019–20 financial year key activities included:

- › DHA outperformed the corporate plan Earnings Before Interest and Tax and Net Profit After Tax expectations in 2019–20. DHA has pursued a program to improve its underlying cash balance, and identified revenue opportunities above the Corporate Plan revenue targets, accelerating the sales of Akuna Vista (Schofields) and Wirraway (Thornton) in NSW as these were deemed excess to provisioning requirements
- › further bolstering profit outcomes by achieving savings in operating costs
- › developing robust credit policies to ensure alignment with GBE guidelines and AASB 9 and improved timeframes around debt recoverability
- › reducing the need for manual cheques through implementation of BPay facilities



- › undertaking a comprehensive lease data integrity review which provided assurance over the subsequent development and implementation of our AASB 16 leases accounting system
- › developing a technology strategy to inform DHA's future technology direction and guide decisions around technology design, delivery and sustainment to make sure our technology is fit for purpose and can adapt and evolve to DHA's current and future needs
- › building organisational culture and capability to effectively lead and grow our people and to support the business model reform program, including by:
  - introducing a core capability framework
  - improving employee accountability through effective performance management
  - providing an online learning portal to support core capabilities and technical skills, implementing a more rigorous and proactive early intervention process to support injured and ill employees
  - developing an operational workforce plan to build workforce capabilities required to deliver the refreshed business model.

## DHA's response to bushfires

During the 2019–20 bushfire season, Australia experienced unprecedented extreme weather conditions which resulted in a significant number of bushfires burning simultaneously across New South Wales, the Australian Capital Territory, Queensland, Victoria, South Australia and Tasmania.

During periods of extreme heat and bushfire smoke, DHA rescheduled non-essential inspections to mitigate risk to DHA employees and ADF members and their families. In addition, the Living in Accommodation Contact Centre (LIACC) provided assistance in support of 24 Defence bases and was integral in advising Defence about the availability of emergency accommodation. Between October 2019 and February 2020 DHA allocated 5,500 Living in Accommodation beds to accommodate civilian and Defence evacuees. This assisted the Defence Joint Taskforce as part of coordinating their operational crisis response.

There were no reports of injuries to DHA employees. There was one report of minor damage to a DHA managed property at Worrigee in the Nowra NSW region.

## Response to COVID-19

DHA responded quickly to enable staff across Australia to work remotely as the COVID-19 public health crisis unfolded. DHA leveraged its use of portable devices, scaled up its virtual private network and deployed videoconferencing facilities to expedite the pivot to working remotely to comply with government restrictions and keep staff healthy and safe. DHA continues to meet its obligations under the Services Agreements with Defence while adjusting to current circumstances around COVID-19. Through regular engagement and communication with Defence, we are optimising service delivery of critical functions in the changed operating environment. Critical inspections are continuing and in some cases are conducted virtually. During the restrictions, DHA ceased non-critical inspections to safeguard the health and wellbeing of staff and ADF members.





## ANAO performance audit

On 9 April 2020, the Australian National Audit Office (ANAO) performance audit into the *Management of Defence Housing Australia* was tabled in the Senate and published on the ANAO website.

The ANAO made four recommendations in its report. DHA agreed to all four recommendations and has commenced implementation in consultation with the Department of Defence, particularly to meet the recommendations regarding:

- › housing philanthropic organisations
- › addressing key performance indicators
- › the study of comparative costs of a Service Residence and rent allowance.

DHA will also work to identify its role in maintaining ADF retention rates.

## Priorities for 2020–21

Key initiatives to be progressed during 2020–21 include:

- › continuing to support Defence capability by meeting the evolving needs of the ADF including through the modernisation project and making it easy for ADF members and their families to do business with us when it suits them (Strategic Priority 1—Customers)
- › implementing regional provisioning strategies that focus on flexibility and reduce exposure to volatile property markets (Strategic Priority 2—Portfolio)
- › strengthening coordination and decision making processes to maintain a financially sustainable business (Strategic Priority 3—Financial)
- › determining and implementing a sustainable organisational structure and resource requirements for the revised business model, and refreshing our information technology systems (Strategic Priority 4—Capability).

# Our purpose

In accordance with the *Defence Housing Australia Act 1987* (DHA Act), DHA is responsible for providing adequate and suitable housing, and housing-related services, to members of the ADF and their families, and services ancillary to this primary purpose.

The 2019–20 Portfolio Budget Statement outlines DHA's primary outcome is to contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus.

This outcome is broken down into two key purposes:

- › provide quality housing and related services, and
- › provide value to shareholders.

The Defence Services Agreement (DSA) specifies that DHA will provide an agreed number of suitable houses as per the Defence Housing Forecast. Suitable houses must comply with standards as set out in the agreement and ADF Pay and Conditions Manual (PACMAN).

We are required to operate in accordance with the requirements of the DHA Act and the *Public Governance, Performance and Accountability Act 2013* and associated Rules. As a Government Business Enterprise (GBE), DHA must also operate efficiently and deliver commercial returns to its shareholders—the Ministers for Defence and Finance acting on behalf of the Australian Government.



# Our structure

## Shareholder Ministers

Two Shareholder Ministers oversee the Australian Government's interests in DHA: the Minister for Defence and the Minister for Finance. As DHA sits within the Defence portfolio of the Australian Government, the Minister for Defence or their delegate is DHA's responsible Minister. The Minister for Defence has delegated responsibility to the Minister for Defence Personnel. The Minister for Finance is responsible for, amongst other things, providing shareholder advice on all Government Business Enterprises, including DHA.

## Board

A Board of Directors is established in accordance with Part III of the DHA Act and is the accountable authority for DHA under the PGPA Act. The Board is responsible for the proper and efficient performance of DHA's functions. The Board makes decisions on organisational direction and strategy, which are articulated through a corporate plan.

## Board committees

In accordance with section 64(1)(a) of the DHA Act, the Board has established four committees to assist in the discharge of its duties. Amendments to the DHA Act in 2006 established the DHA Advisory Committee to advise on the performance of DHA's functions (refer to Part III of the Act).

The Board and each of its committees has a charter that sets out its purpose, composition and meeting and administrative arrangements. The Board considers the composition of committees periodically. The committees include:

- ▶ Board Audit and Risk Committee (BARC)
- ▶ Board Investment Committee (BIC)
- ▶ Nomination and Remuneration Committee (N&RC)
- ▶ DHA Advisory Committee.

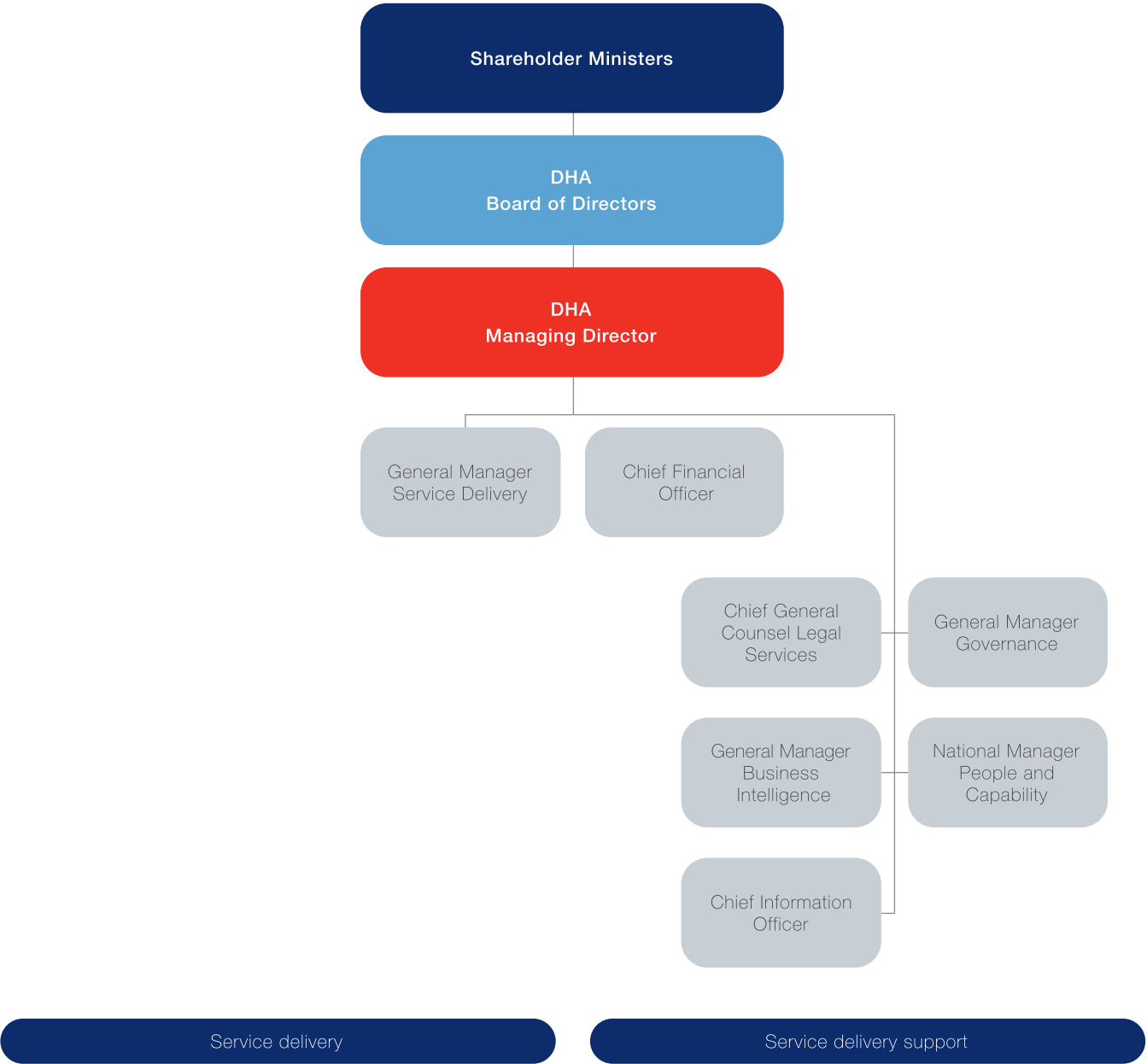
## Managing Director

The Managing Director is employed by the Board and is the only executive director of the Board. The Managing Director is responsible for conducting the operational affairs of DHA in accordance with the DHA Act and any policies determined, and directions given by, the Board. The Managing Director oversees DHA's strategic direction, organisational structure, staff, performance and relationships with key stakeholders.

## Leadership Team

The Leadership Team, comprising the most senior staff in the organisation, supports the Managing Director in fulfilling DHA's purpose. The Group's broad role is to provide leadership, guide performance, implement and deliver against the Corporate Plan, and ensure accountability of our activities.

Figure 1:  
Organisational structure as at 30 June 2020



## Service Delivery Group

The Service Delivery Group is responsible for all additions and subtractions to the DHA housing portfolio, management of housing allocation, tenancy management, property sales and DHA's leasing activities. The Group is made up of two main functions comprising property activities and service operations.

The service operations area is responsible for property management services, contact centre operations, maintenance and leasing activity. The property area is responsible for acquisition of residential property, heritage and upgrade projects, construction and development activity, disposals and the DHA Property Investment Program.

## Service Delivery Support Groups

### *Chief Financial Officer's Group*

The Chief Financial Officer's Group supports effective decision making, resource allocation and accountability through strategic and capital planning, and the delivery of financial management services including performance reporting via the corporate plan, monthly and quarterly reports and the annual report which also incorporates full year audited financial statements. This group is also responsible for the management of the investment book.

### *Governance Group*

The Governance Group is responsible for facilitating and administering compliance with DHA's legislative requirements and overarching governance frameworks.

### *Legal Services Group*

The Legal Services Group is responsible for the provision of high quality, strategic, legal advice on a broad range of property, commercial and corporate issues within DHA, including the provision of advice to the Leadership Team.

### *Business Intelligence and Operating Model Implementation Group*

The Business Intelligence and Operating Model Implementation Group is responsible for managing the implementation of the revised DHA business model and establishing the culture to support the longevity of the operating model through influencing internal and external stakeholder behaviour.

### *Human Resources Group*

The Human Resources Group provides support and tools to enable DHA to attract and retain the right people, with the right capabilities, at the right cost to be deployed into the right jobs at the right time.

### *Business Solutions and Technology Group*

The Business Solutions and Technology Group is responsible for all software related business analysis, business solutions, software development, telephony, IT Services and Infrastructure. The team delivers business as usual activities and innovation-driven initiatives which provide efficiencies to the broader organisation.



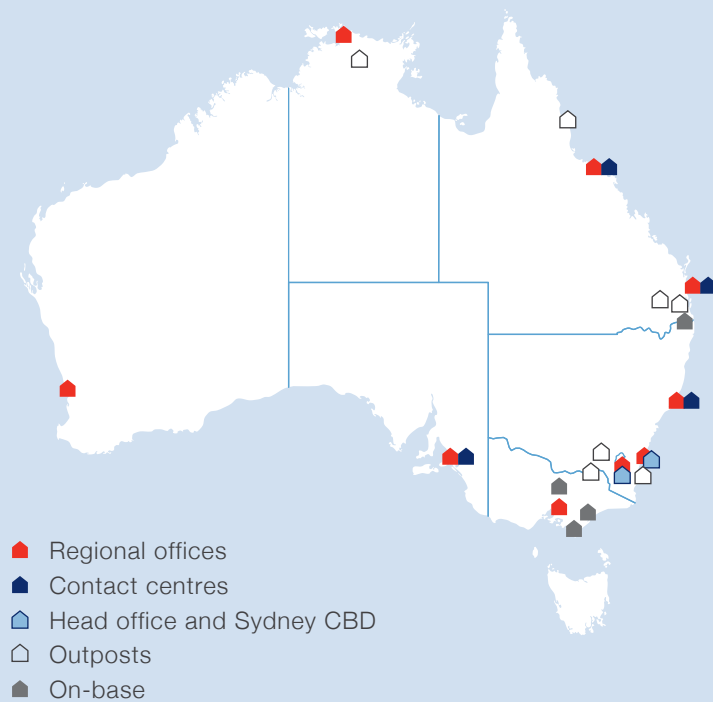
### Our staff and office network

Staff in our regional offices deliver customer facing services to ADF members and their families and investors in capital cities and major regional centres where the ADF has a presence. DHA staff are also located in four on-base locations at Sale, Puckapunyal, Cerberus (Victoria) and Canungra (Queensland) in accordance with a license agreement with Defence. Regional office staff are supported by staff in four regional contact centres who are the first point of contact for housing services, maintenance services and the allocation of on-base Living in Accommodation. Our Elizabeth Street office in the Sydney Central Business District is predominately occupied by Property Delivery and Sales staff.

Staff in head office in Canberra are responsible for overseeing strategic development, operational programs, corporate governance and corporate support.

Figure 2:

Office network as at 30 June 2020











PART 2

## Key activities

Our services

Our property portfolio

Provisioning and planning



# Our services

We administer Defence housing policy and provide housing and related services for ADF members and their families in accordance with the service agreements between DHA and Defence. Through our Property Investment Program (PIP) and extensive leasing program, we also offer property investment services under our lease and property care program.

## For Australian Defence Force members and their families

DHA provides a number of housing services to ADF members and their families including:

- › access to a range of housing products in the DHA portfolio
- › tenancy and housing management services including the management of maintenance
- › assistance in finding suitable housing through our online systems supported by customer focused staff
- › booking and allocation service for Defence managed Living in Accommodation
- › payment of allowances to ADF members occupying rental accommodation
- › refurbishment of properties to meet Defence standards.

## For the Australian Defence Force

DHA supports capability of the ADF through:

- › the provision of a diverse housing portfolio
- › housing services that support the mobility of the ADF following postings orders
- › administration of rent allowance and ADF member contributions for housing

Additionally, DHA provides critical support to Defence in responding to crises, as seen in the recent response during the 2019–20 bushfire season. Key capabilities DHA brings include accommodation and housing reporting, access to vacant housing and communications support. DHA has created automated reporting for Defence that accurately forecasts Living in-accommodation room

vacancies across all bases. This enables Defence to have national visibility of accommodation availability, so that Defence can effectively plan and manage the housing requirement for its members, particularly during a crisis. A key learning was the shift in Defence policy that enabled the rapid deployment of temporary accommodation.

## For investors and property owners

Services provided to investors and property owners includes:

- › long-term leaseback of properties through the Property Investment Program
- › secure, long-term leasing arrangements for property owners
- › property maintenance and tenancy services.

# Our property portfolio

We manage a diverse portfolio. Our properties are located in capital cities, major regional centres and in remote parts of Australia. Our portfolio includes more than 1,200 houses located on Defence bases and establishments.

We acquire properties through leasing activities, construction and purchase programs, and allocate these in accordance with Defence policy. The majority of the properties we manage are privately owned and leased to DHA by investors.

Of the service residences in our portfolio, 3,374 are owned by DHA as a mix of investment and inventory stock and 1,093 are owned by the Department of Defence, not including annuity properties. The remaining properties have been leased to DHA either through direct leasing, renewed leases, or through PIP.

The majority of our portfolio comprises detached three and four bedroom service residences. These properties are designed for members with dependants and meet the compliance conditions as set out in the Defence Services Agreements and the Defence Pay and Conditions Manual. We also offer Rent Band Choice properties for members with dependants which provide members with a greater choice in property types and amenity. These choice properties are being increasingly supplied in selected locations where members have indicated a desire to live. We also offer Members Choice Accommodation designed for members without dependants, as an alternative to finding housing through the private rental market.

DHA commits to care for any heritage values of DHA property, so as to identify, protect, conserve, present and transmit to all generations any Commonwealth Heritage values of the place, consistent with:

- › DHA's operational obligations arising from legislation
- › good practice in conservation and property management.

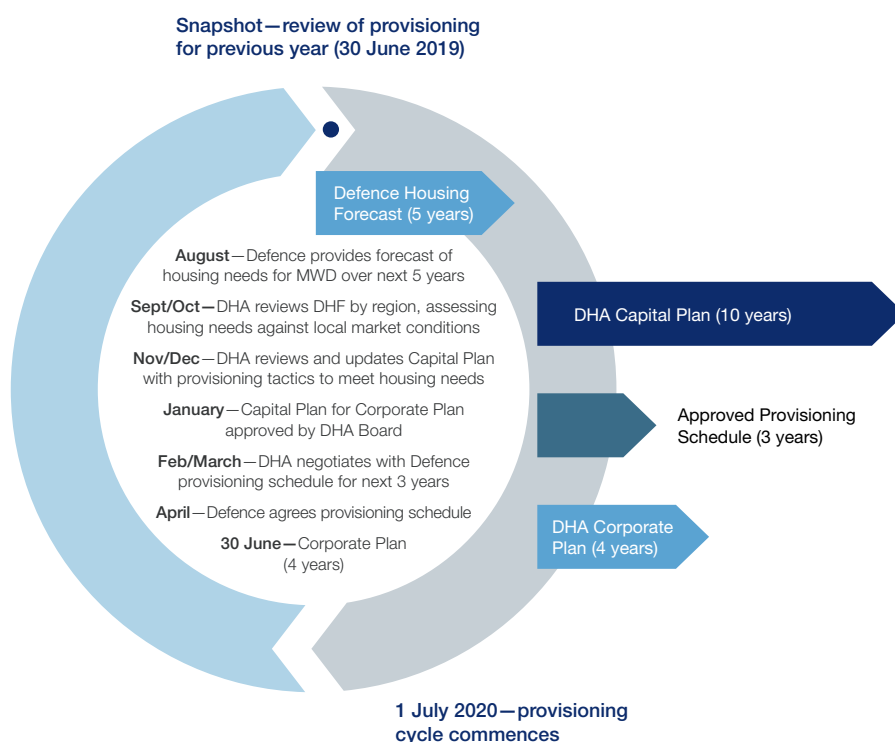
# Provisioning and planning

DHA provisions housing for ADF members and their families based on the five year forecast of housing requirements provided in the Defence Housing Forecast (DHF).

The DHF is updated annually to adjust and confirm requirements for the current year and provide a forecast of housing needs for the following four years. DHA has in place extensive provisioning processes and activities, which occur year round and facilitate a whole of business approach (see figure 3).

This planning process results in an Approved Provisioning Schedule (APS) which sets the closing balance targets for the number of service residences and other housing options required for the next three years (see table 2 below).

Figure 3:  
Annual provisioning planning cycle





**Table 2: Defence Housing Forecast and Approved Provisioning Schedule of housing for Members with Dependants (30 June 2020)<sup>1</sup>**

Financial Year	Defence Housing Forecast	Defacto RA*	DHA Target Demand**	DHA Provisioning Target***	Opening balance	Total additions	Total subtractions	Closing balance
2020–21	19,775	2,411	17,364	16,197	16,306	1,950	2,059	16,197
2021–22	19,809	2,411	17,398	15,634	16,197	1,622	2,185	15,634
2022–23	19,918	2,411	17,507	15,677	15,634	2,264	2,221	15,677

\* MWD Rent Allowance (RA) recipients approved on basis of Defence policy that recognises the member as MWD under Interdependent Partnership (IDP or 'de facto') policy

\*\* DHF less RA approved on basis of Interdependent Partnership policy (these members are not included in DHA Target Demand for Service Residences on the assumption they remain housed in RA)

\*\*\* Provisioning target agreed between DHA and Defence through the Approved Provisioning Schedule. Generally calculated as 90% of DHA Target Demand for each rent band in each region unless regional requirements determine a different target. This acknowledges that not all MWD members will be housed in a service residence and may instead be approved for rent allowance.

## Regional provisioning

The Defence Housing Forecast is made up of defined regional areas. Each region is managed to supply housing to ADF members and their families taking into account the different property needs, housing availability and market conditions, within the policy parameters set by the Department of Defence. Major metropolitan areas such as Sydney East, Sydney West, Canberra and Melbourne have relatively stable housing requirements. However, the housing portfolios are aging, lease arrangements are coming to an end, there are limited land development opportunities available in policy defined locations and property prices are relatively high. Even though property prices have declined over the last 12 months, sustained population growth in these cities is likely to drive

underlying demand for housing over the longer term. In addition, housing density is rapidly increasing, and new properties that are built privately are unlikely to comply with Defence housing requirements especially in terms of separate toilets, external storage and outdoor amenity requirements.

Medium sized cities and regional centres such as Adelaide, Ipswich and Newcastle (Hunter) have also seen community standards for housing evolve to a higher density model/ design to allow for smaller lot sizes, with the average lot being between 250–300 square metres. Even in these smaller cities, ADF members have a preference for properties closer to the city and in locations which offer a rich lifestyle experience (i.e. close to services, entertainment, schools,

public transport, shopping, spouse employment). Housing in these locations is increasingly medium density, such as townhouses.

In summary, different ADF families have different needs. Some ADF members seek properties closer to CBDs with access to good transport, options for spouse employment, recreational opportunities and better lifestyle amenity. For them, location is a form of amenity and they are willing to trade off larger homes with backyards, storage and garaging. Other ADF members prefer houses that are larger with greater amenity and are willing to accept a location further away from the CBD. ADF members expect housing choice and options that suit their lifestyle preferences. They desire housing that meets community standards in locations with good

<sup>1</sup> DHA needs to be flexible in provisioning housing for ADF members in response to the operating context, environmental factors and changes in Defence requirements

infrastructure (schools, shops, etc.), recreational opportunities and with transport that provides access for their spouse to employment opportunities. Current property compliancy rules make this difficult to achieve in many regions while continuing to refresh the portfolio with new high quality houses as leases expire.

DHA works collaboratively with the Department of Defence to provide housing with an increased focus on specific regional requirements, using insights from our customers and underpinned by prudent financial practices.

## Leasing program

DHA has a large leasing program that underpins our housing portfolio. Leases are sourced from the private market or come into the DHA portfolio through our PIP. With over 11,000 existing leases, the management of lease options, lease extensions and renewal of leases plays an essential role in maintaining a well located quality portfolio. Our leasing activity will meet the majority of our provisioning additions planned across the corporate plan period.

A dedicated team within DHA manages lease options, renewals and new lease arrangements in support of our overall provisioning requirements. Other provisioning programs support and complement the leasing program.

Our direct leasing program is increasing over the next few years. We target the property market seeking interest from investors who have property to lease or properties being prepared for delivery. Once interest is received, the property is assessed to ensure it meets DHA and Defence requirements. Subject to meeting the requirements, a lease can be negotiated and any requisite upgrade works completed before the property is handed over to DHA for inclusion in the portfolio. The direct leasing program will build to over 400 properties per year under this plan.

## Construction program

In addition and to complement the leasing program, we acquire property sites throughout Australia to construct suitable accommodation to meet ADF requirements where there is no existing market or stock available. While development projects require long lead times, they provide greater flexibility in meeting ADF housing requirements and complement the leasing activity.

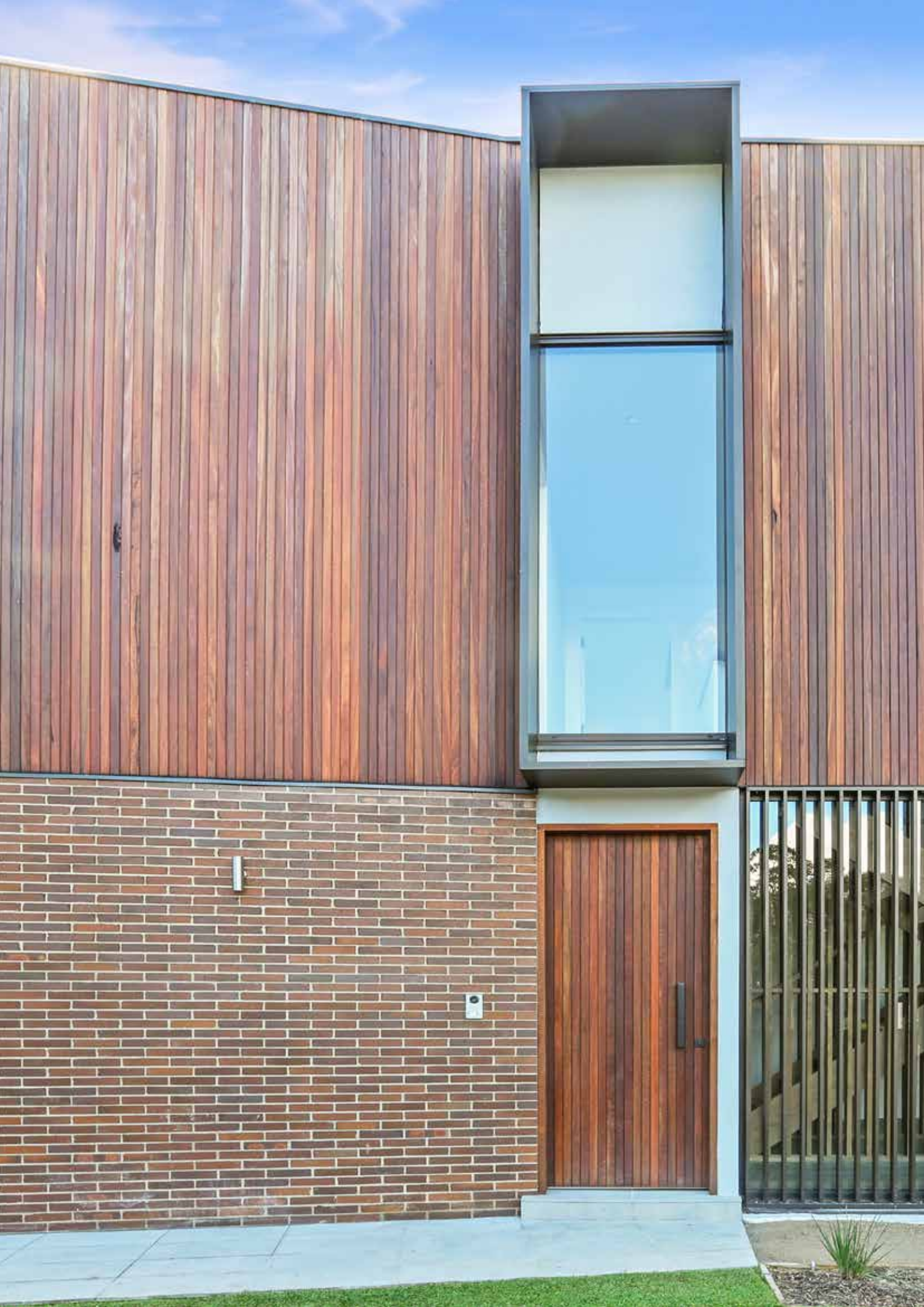
## Property Investment Program

To support our funding needs, we provide a unique investment opportunity for Australian residential property investors. DHA has properties that are categorised as inventory stock to be sold to investors through the PIP. These properties are then leased back on a long-term arrangement to support the overall housing portfolio. The PIP sales volumes are adjusted to line up with our funding needs and other capital requirements. An over reliance on this program in the past has impacted DHA's performance and while it is still a viable program, it will only be used where appropriate.

During the 2019–20 financial year, COVID-19 presented challenges to the Australian economy. Despite a challenging environment, DHA PIP products continued to appeal to potential investors and achieved revenue figures in line with sales targets. Additionally, we have recently adjusted the PIP lease arrangements to improve the cost effectiveness of the program by removing a lease term that provided investors with a minimum rental payment or rental floor. Recent sales through our ballot process have not been impacted by the new lease arrangement.









PART 3

# Operating context

Environment

Cooperation

Organisational capability

Risk management

# Environment

The landscape in which DHA operates is impacted by growing uncertainty, rapid change and constant disruption driven by global events, digital transformation, complex market and economic conditions, shifting client requirements and Defence policy settings.

The context within which DHA operates is complex and constantly evolving. Our property portfolio covers every state and territory in Australia. This means that we must be sensitive to both national and regional changes in our operating environment.

## Regulatory factors

The *Defence Housing Australia Act 1987* sets out our functions, powers, corporate structure, delegations, and describes our core objectives. Our core objective of providing housing services to ADF members and their families is governed by contractual relationships with the Department of Defence for the provision of these services.

DHA is both a corporate Commonwealth entity and a Government Business Enterprise (GBE), and must also operate in accordance with the *Commonwealth Government Business Enterprises Governance and Oversight Guidelines*. These Guidelines prescribe additional considerations on corporate and financial governance, planning and reporting.

A range of other Australian Government, state and territory legislation influences our corporate governance. This includes:

- › *Public Governance, Performance and Accountability Act 2013* and associated Rules
- › *Public Service Act 1999*
- › *Archives Act 1983*
- › *Freedom of Information Act 1982*
- › *Privacy Act 1988*
- › *Public Interest Disclosure Act 2013*
- › *Fair Work Act 2009*
- › *Work, Health and Safety Act 2011*.

In addition, DHA's ability to achieve its objectives can be indirectly affected by regulatory changes across a range of industries. Changes to prudential regulation, tax credits, government grants and subsidies all have the ability to influence DHA's operations.



## Economic factors

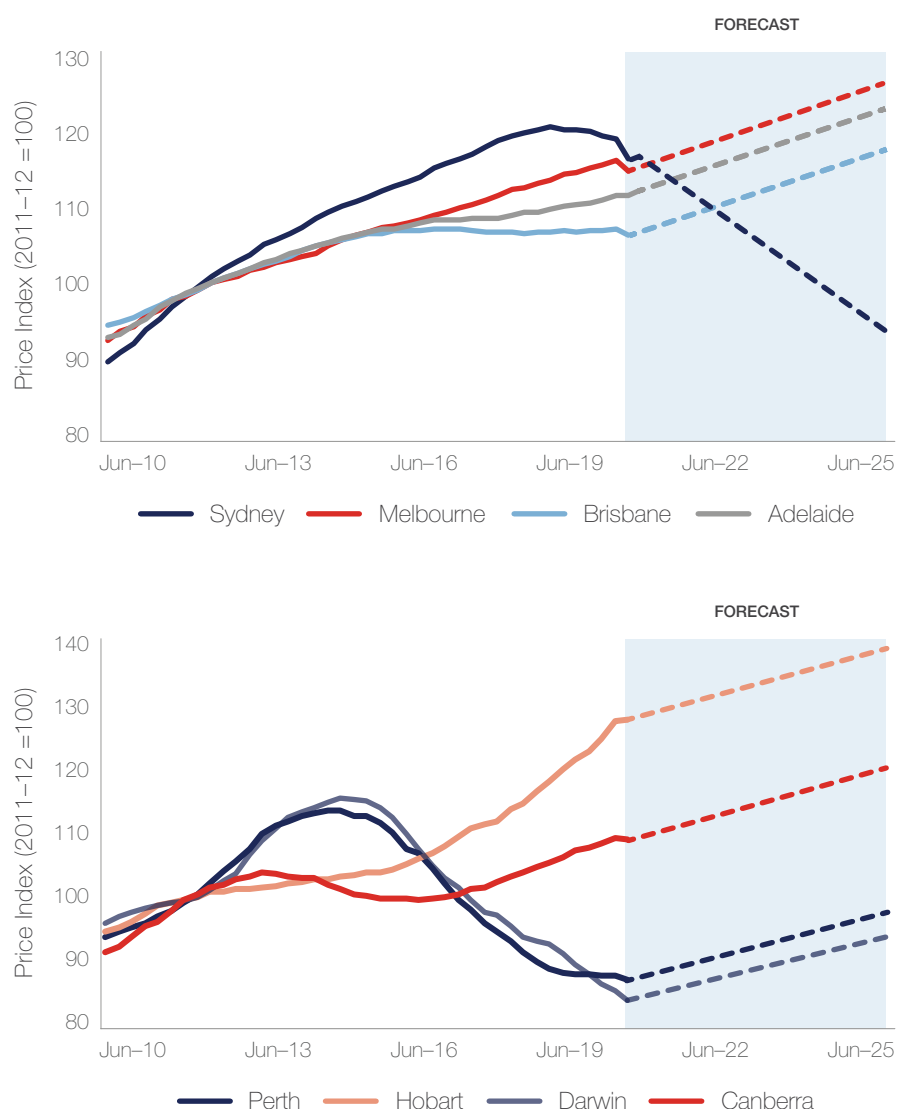
The economic environment and the state of Australia's property market constantly influence our core business operations of buying and selling property, managing property through lease back arrangements and residential property development. Australia's property market differs across states and regions and is generally driven by local factors such as population and job growth and consumer confidence, as well as supply and demand. The COVID-19 pandemic has caused significant economic disruption and uncertainty to the environment which is expected to be felt for a number of years.

Property markets have been volatile since 2017, and while prices began to recover in mid-2019, the economic shock driven by COVID-19 restrictions has softened the long-term outlook of housing prices. Transaction volumes and prices are expected to remain subdued for the medium term. The long-term outlook for the housing market will be dependent on the effectiveness of fiscal and monetary policies aimed at reducing household financial stress.

The state of Australia's rental market differs across capital cities, as shown in Figure 4. Rents have been steadily trending upwards in recent years, with the exception of Darwin and Perth, where high vacancy rates have driven prices lower. Rents in Sydney began to decline in early 2019 in response to an increase in vacancy rates following high volumes of new housing construction in 2018.

Figure 4:

Rent price index, by capital cities, June 2020<sup>2</sup>



Note: These forecasts are calculated based on historical trends and do not appropriately reflect the emerging economic crisis caused by the COVID-19 pandemic.

## Demographic and social factors

This downward pressure is now being experienced more broadly, driven by a range of supply and demand factors triggered by COVID-19 restrictions. Rental listings have increased, in part due to increased supply, as short term rental accommodation is making its way into the long-term rental market. In addition, there has been a decrease in demand due to fewer foreign students and long staying foreign visitors, as well as speculation that young adults are moving back home and share houses are breaking up because people are concerned about paying their rent in the long term.<sup>3</sup>

Ultimately, the impact on each region will vary and will be dependent on how exposed markets are to tourism, migration and job losses. Data suggests that Melbourne and Sydney, particularly inner city suburbs, will be the hardest hit.<sup>4</sup> The rental market in Melbourne and Sydney are the most at risk due to the relatively high proportion of renters, high levels of migration and higher proportion of workers in industries heavily impacted by COVID-19.

Demand for investor mortgages is expected to be subdued with low investment yields and ongoing lending constraints.<sup>5</sup> However, investor demand will be supported by some borrowers taking advantage of low interest rates, with expectations of low inflationary pressure to remain in the long term. The rising cost of residential construction and weak demand will also put pressure on development operations.

Australia's population has been evolving over time and is expected to influence housing preferences into the future. There are a range of emerging trends that are expected to become more pronounced over the next several years and will influence the demand for different types of houses.

ABS data shows that the relative proportion of people living in family households has declined, while the proportion of people living in couple and single households has increased.<sup>6</sup> Australia's population growth has slowed in recent years, caused by an aging population and decreasing birth rates, as many households are waiting longer before starting a family and have less children.<sup>7</sup> In the short-term Australia's population is expected to decline, as growth has traditionally relied on net overseas migration, and Australia's international borders remain closed to non-citizens.

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<sup>3</sup> <https://www.businessinsider.com.au/australia-sydney-melbourne-falling-rents-suburbs-coronavirus-rental-market-airbnb-2020->

<sup>4</sup> <https://www.corelogic.com.au/news/which-rental-markets-are-most-impacted-covid-19>

<sup>5</sup> (CBRE Real Estate Market Outlook 2020).

<sup>6</sup> ABS (2019) *Household and Family Projections, Australia, 2016 to 2041* (cat. no. 3236.0).

<sup>7</sup> ABS (2019) *Births, Australia, 2018* (cat. no. 3301.0).

## DHA investors

Studies have shown that the proportion of young adults living in the parental home has been increasing over time, and this has been supported by a later age of departure.<sup>8</sup> This is driven by a range of factors, including marriage decline, increased engagement in post-secondary education and availability of employment opportunities. More recently, COVID-19 has forced many young adults to return to the family home due to the ongoing economic uncertainty.

These trends directly impact on the housing product currently available and being developed in the market.

Similarly, over time, the needs of ADF members and their families have changed. There are now a mixture of singles, de facto couples, married couples, single income households, double income households and small, large and blended families, in need of accommodation, resulting in a diverse set of housing preferences.

Current and potential DHA investors are expected to continue to typically be high income families with a household income exceeding \$100,000 per annum, with the head of these households generally between 40–64 years of age. DHA investors generally live in major cities and have a preference to invest locally, as opposed to interstate. There is likely to be increased demand for apartments, particularly from young professionals who are more likely to buy an apartment than a house, most likely driven by locality and affordability factors. In an era of low interest rates and market uncertainty, the DHA PIP with guaranteed rent and no vacancies, backed by the Australian Government, has the potential to be an attractive option, albeit it should only be used as and when required to supplement the core business requirement.

### Trends in housing preferences

The housing and amenity preferences of Australian homebuyers, investors and ADF members form part of the complex environment in which DHA operates. A range of factors have been seen to influence household preferences and the demand for different types of housing. This is reflected in the changing composition

of Australia's housing stock which has a direct impact on the availability of housing that meets Defence standards. Construction of new housing is moving away from detached houses, to multi-unit (attached) dwellings, as households are forced to balance trade-offs between affordability, location and utility.

Housing developments in the last few decades have been offering smaller lot sizes and increased dwelling sizes, resulting in houses having less outdoor space than traditionally seen in the past. This has minimised the marginal benefit between houses and lower density housing such as townhouses. In addition, preferences leaning towards lifestyle aspects, which tend to primarily influence the working population, where many choose to reside closer to employment opportunities and the amenities of urban centres, as opposed to suburban outskirts.

Research has shown that demographic characteristics can assist in predicting these housing preferences.<sup>9</sup> Location aspects are most important to single person households, as well as older couples with no dependants. Couples with children value property features, reflecting the different lifestyle needs of these groups.

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8 *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 11 to 17*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne, 2019.

9 *What Matters Most? Housing Preferences Across the Population*, Grattan Institute, 2011.

## Technological factors

Technology continues to provide opportunities for us to improve efficiency and better engage with our stakeholders. Our ongoing success will depend on our ability to utilise technological advancement to improve our business, and enhance the value delivered to our customers.

We currently offer a range of online services, however customer expectations for integrated and personalised services that meets their unique needs are increasing. Customers are increasingly using mobile devices to communicate with businesses, and this presents an opportunity for us improve our engagement with this stakeholder group. DHA surveys have highlighted a proportion of our investors who desire increased utilisation of ICT to engage with DHA's services. This would not only offer convenience and mobility, and increase communication between clients through personalised messaging, but would also provide an opportunity to build the business through push notifications to generate potential leads.<sup>10</sup>

A range of new and emerging technologies, such as augmented and virtual reality, fraction property platforms, blockchain, artificial intelligence and machine learning may present a range of long-term opportunities to implement efficiencies and improve our interactions with customers.

Technological factors are also expected to impact the locations available for DHA to hold housing stock. Commute times have been increasing in recent years, with major cities being the most affected.<sup>12</sup> In response to this issue, the Australian government has identified an opportunity to enhance data collection and analysis to improve the management of transport systems and flows across cities. In addition, large scale infrastructure projects, such as the 'vision' for a high-speed rail along the Australian East coast<sup>13</sup>, will also see commute times reduce and potentially expand the flexibility and range of suitable Defence housing locations. The increase in working from home arrangements as a result of the COVID-19 pandemic may also change future needs to commute to and from work.

## Natural environmental factors

We face a range of environmental factors that will impact the liveability of the housing provided to Defence members. Guides to developing environmentally sustainable housing emphasise the need for developing liveable housing that is adaptable and resilient to demographic and environmental changes. To address this, we are constantly seeking ways to improve the quality and performance of the homes that we provide to Defence members. All of our houses are built to achieve a minimum six-star Energy Efficiency Rating (EER) and are silver status under the Livable Housing Design Guidelines (where possible). We continuously focus on five key areas of sustainability:

- energy consumption
- water consumption
- effective waste management
- human wellbeing
- biodiversity of local flora and fauna.

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10 The Kahuna Mobile Marketing Index, 2015 Q4.

11 *The Household, Income and Labour Dynamics in Australia (HILDA) Survey: Selected Findings from Waves 1 to 17*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne, 2019.

12 *Australia's Tech Future: Delivering a strong, safe and inclusive digital economy*, Department of Industry, Science, Energy and Resources, December 2018.

13 *A Fast Rail Future for NSW*, <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/a-fast-rail-future-for-nsw/>.



Australia's weather is forecast to intensify and rising temperatures will increase the frequency of extreme weather events such as heatwaves, floods, fires and storms.<sup>14</sup> The likelihood and severity of these events will vary across regions and will pose a risk to our ability to provide suitable housing and services to ADF members and their families. We are currently well positioned to respond promptly and effectively in such events. Our success in rehousing ADF members and their families impacted by the Townsville floods in 2018–19 and bushfires in 2019–20 are testament to our strength in managing through crisis events.

## Impact of COVID-19

The COVID-19 pandemic poses some financial risks to DHA in the short to medium term. While there is little risk to revenue from the Defence Rent bill (including fees and charges) and lessor rental payments, there may be some impacts to the income and expenses associated with executing DHA's property activities that are exposed to prevailing market conditions.

COVID-19 travel restrictions and social distancing requirements, together with a reduction in suitable properties being available due to market uncertainty, may impact our ability to meet acquisition targets—particularly in remote regions, in the short to medium term. Once the pandemic uncertainty has lifted, the market is expected to improve although there may be a flow on effect into later years of this planning period. With the retail property market thinning we are seeing early signs of a decline in interest for completed land and dwelling developments. However, currently there is no clear evidence of reductions in the values of development sites.

DHA has taken these risks into account in developing this statement of corporate intent to ensure we remain financially sustainable through this crisis and continue to engage with shareholders.

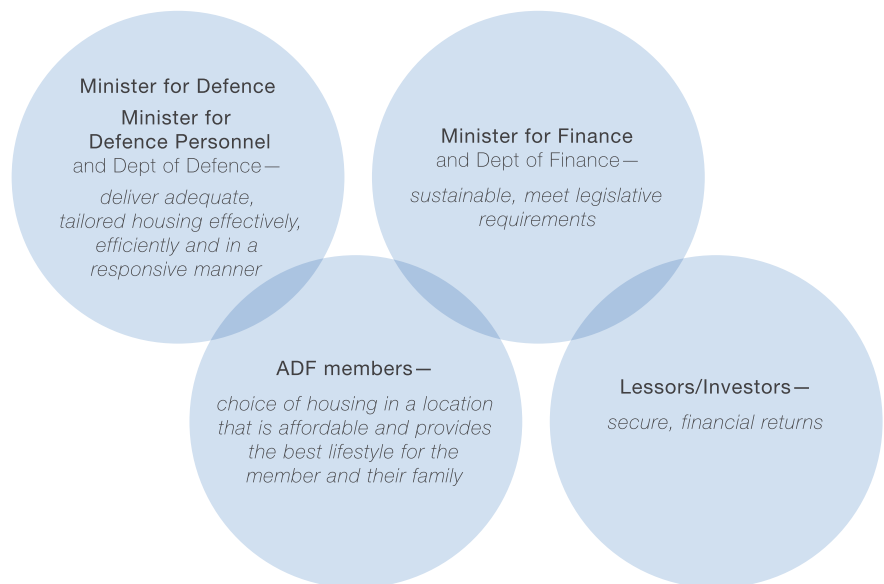
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<sup>14</sup> *Climate change impact in Australia*, Department of Agriculture, Water and the Environment, <https://www.environment.gov.au/climate-change/climate-science-data/climate-science/impacts>

# Cooperation

For more than 30 years we have been providing ADF members and their families with the housing and related support services they need, while delivering value to our shareholders, the Department of Defence and Department of Finance on behalf of the Australian Government, and investors who help us provision properties for ADF members.

Figure 5:  
Key customer groups



To deliver services for ADF members and their families, DHA seeks advice and feedback from Defence Force Personnel and key Defence organisations through the DHA Advisory Committee. The DHA Advisory Committee's role is to provide general advice and information on the performance of DHA's role and includes representatives of the National Convenor of Defence Families of Australia (DFA) and the Chief of the Defence Force.

We also work with key industry bodies such as Urban Development Institute of Australia (UDIA) to enable access to the most up to date industry information that may impact national and regional development and construction activities, which ensures optimal commercial and provisioning outcomes. We collaborate with the private sector to develop properties to provide suitable housing for ADF members and their families.

We work with the communities in which we operate, ensuring community engagement prior to development activities and organising events to support ADF members and their families to build a sense of belonging. In addition, DHA engages a number of small and small to medium enterprises throughout its supply chains and is seeking opportunities to build its engagement with Indigenous businesses, particularly in the property and construction industry.



# Organisational capability

By having strong organisational capabilities, we can deliver on priorities for the Australian Defence Force and the Government, and are prepared for the challenges and opportunities in our environment. DHA's new direction and requirements outlined in the refreshed business operating model have led to the identification of organisational capability gaps and created demand for new expertise which does not exist in the current workforce.

As a result, DHA is taking steps to align its workforce to a new business operating environment featuring flatter organisational structures, modernised technology, refined processes and future-focussed jobs and capabilities. DHA has developed a business model roadmap to transform into a leaner organisation and has developed a workforce plan with a clear set of actions for implementation to properly orientate and build a future workforce.

Empowering employees and creating a highly capable, flexible and efficient workforce that effectively works together will be critical to delivering and sustaining the long-term success of the eight refreshed business operating model initiatives.







## Information technology strategy

Government trends and drivers relating to cloud, data and shared services are built into the guiding principles of DHA's technology strategy. As a Government Business Enterprise (GBE), DHA has also integrated macro and industry trends into its technology strategy. This will ensure that while delivering its technology program, DHA will build capability to fill the digital skills gap.

The vision of the IT strategy is to support DHA in becoming a leading service delivery organisation by providing technology that is fit for purpose, operationally efficient and enables digital omni-channel services. There are seven technology shifts DHA needs to make before it can deliver fast, clear, simple services through technology systems that are scalable and efficient.

Figure 6:

### Seven technology shifts

There are seven key technology shifts that DHA needs to make			
	Today		Tomorrow
	From members and their families calling DHA		To self-service for ADF members and their families at any time and anywhere via multiple digital channels
	From an architecture of where DHA builds and creates		To an architecture where DHA consumes and orchestrates fit-for-purpose technology
	From a tightly integrated architecture that is difficult to change		To a modular IT architecture that enables plug and play and a simple upgrade path for technologies in the market
	From bespoke and customised business processes		To business processes that align with best practice and what the technology can do out of the box
	From minimal IT governance within DHA		To a robust IT governance framework and approach that works across DHA to make better IT decisions and reduce cyber risk
	From an operating model where IT is a service provider		To an operating model where IT is a strategic partner to the organisation, producing outcomes that really support DHA operations
	From an organisation with limited data governance and management		To an organisation that uses data and analytics as a strategic asset to inform evidence based decision making

### Infrastructure and cloud

DHA is investing in IT infrastructure to support our strategic direction and operating model. In 2020–21, DHA is refreshing its enterprise hardware and developing a cloud strategy to ensure that DHA can position itself to leverage cloud technology and deliver scalable solutions in the future.

### Governance, data and security

To formalise processes, roles and responsibilities for IT investment decisions, DHA is implementing an IT governance model. This will be accompanied by a data strategy and data governance model to guide access to data and uplift DHA's ability to make data driven business decisions. These models will be complemented by a holistic cybersecurity strategy and internal detection and response mechanisms.

### Automation and digital

Leveraging the experiences of other government agencies in the areas of artificial intelligence (AI) and robotic process automation, DHA is iteratively transitioning to a digitally enabled workplace and identifying business processes that are best suited for automation.

### Customer focus

DHA is making improvements to the customer experience, which will culminate in a fit for purpose contact centre solution, with the ability to communicate seamlessly with customers across multiple channels. In 2023–24, a new customer relationship management (CRM) solution will be integrated into contact centre processes, further improving engagement and knowledge management.

### Business information systems

Linking in with the data strategy and transition to a digitally enabled workplace, DHA is considering options to enhance and upgrade its human resources, financial and IT service management systems to ensure staff can use the full range of capabilities in these areas, work more efficiently and supply data to decision makers.

## Our workforce

As DHA moves to flatter and leaner structures it is vital that we effectively manage and deploy our people. The DHA Operational Workforce Plan 2020–21 identified the critical capabilities, job roles and the functions where organisational needs will change over the next 24 months. To support these requirements and change processes there are a number of workforce interventions currently being implemented or developed. These include:

- › work to define the optimal structure and resource profile for DHA
- › DHA Strategic Recruitment Plan 2020–21, which will improve DHA's ability to attract critical talent
- › DHA's Capability Framework, which will define the core capabilities required across DHA to reflect emerging needs
- › development of a succession management plan for critical roles and priority functions
- › negotiation of a new enterprise agreement with employees.

### Leadership and culture

DHA is building a culture which encourages inspiring leadership that is effective in delivering our strategic objectives. We expect our leaders to demonstrate APS values by being accountable, visible, effective, trusted and make informed, evidence based decisions. We are creating a workplace where any individual or group can be their authentic selves, feel welcomed, respected and valued and able to fully participate and contribute. Our priorities in this area are:

- › enhancing our leadership capability
- › reinforcing accountability expectations
- › developing and implementing action plans for each diversity area to implement the DHA Diversity and Inclusion strategy.

### Learning and development

An enterprise learning strategy will be developed and implemented in 2020–21. The revised learning and development strategy will consider workforce risk and capability gaps identified in the workforce plan, and create strategies and programs to address these issues.

## Gungahlin relocation

Following a competitive tender process, G1 DHA Pty Ltd has been selected as the successful tenderer to construct and fit out DHA's new Gungahlin office accommodation. The new office will be located in the Gungahlin Town Centre on the site bound by Hibberson, Hinder, Kate Grace and Efkarpidis Streets. The building will hold a five-star NABERS rating and will accommodate employees currently located at 24 26 Brisbane Avenue, Barton and 26 Ipswich Street, Fyshwick.

Construction works are scheduled to commence in August 2020, the fit out in August 2021, with practical completion to be achieved by March 2022.

# Risk management

Sound risk management continues to be an important and integral element that supports achievement of DHA's purpose, objectives and strategic priorities.

A revised, up to date and fit for purpose Risk Management Framework (the Framework) was approved by the Board in May 2020. The Framework is a set of components that provide the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation. Our risk statements have been updated to reflect emerging risks posed by COVID-19.

DHA is committed to maintaining an effective, efficient and tailored Framework inclusive of supporting policies such as fraud control, business continuity management, workplace health and safety management and code of conduct.

The Framework assists DHA to meet the requirements of section 16 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Commonwealth Risk Management Policy issued by the Department of Finance. It follows the International Standard on Risk Management ISO 31000:2018.

The Framework ensures DHA has appropriate guidance and mechanisms in place to manage risk where risks are appropriately identified, assessed, communicated and managed across all levels of DHA.

DHA operates in a complex environment and recognises that most risk is inherent. DHA proactively identifies, engages with and manages risk at all levels and across all facets of the business to create or protect value in support of improving performance, encouraging innovation and supporting the achievement of its purposes, objectives and strategic priorities. DHA does this by:

- › creating an understanding of DHA's role in identifying and managing shared risks
- › providing clear, concise and accessible policy and plan guidance
- › providing defined accountabilities and responsibilities for risk management
- › implementing and using of appropriate systems to drive active and effective risk management
- › encouraging risk management practices to be embedded systematically into business processes

- › promoting open and transparent consideration, communication and consultation about risk
- › supporting appropriate risk taking as part of innovation
- › maintaining an appropriate level of risk management capability
- › using risk management information to enable informed and effective decision making to achieve organisational outcomes
- › further developing organisational employee competencies and capabilities in risk management
- › enhancing mechanisms for governance and assurance of risk matters
- › regular reporting of risk matters to DHA's Accountable Authority for its consideration and input, and to assist it to fulfil its duty to establish and maintain systems relating to risk and control under the PGPA Act.

DHA is committed to the ongoing review and continuous improvement of the Framework to ensure it remains consistent with changes in technologies, the environment, DHA's operating model, broader government guidance and, more importantly, that it remains fit for purpose to support the achievement of DHA's purpose, objectives and strategic priorities.



## Governance and oversight

DHA has established formal, fit for purpose accountability and responsibility for risk at an organisational level that is broadly consistent with risk principles.

Group	Description
Board (and Board Audit and Risk Committee)	<p>The Board is the Accountable Authority of DHA.</p> <p>The Board maintains oversight of organisational risk, management systems and internal controls.</p>
Managing Director and Leadership Team	<p>The Managing Director and senior executive are responsible for implementing appropriate risk systems and ensuring resources and capability support effective risk management and its integration in decision making processes.</p>
Risk, Fraud and Security function	<p>The Risk, Fraud and Security function provides independent risk advice and is responsible for practical implementation of risk management.</p> <p>The function is responsible for supporting the Board, Managing Director, Leadership Team and key line managers to ensure the risk management framework, treatments and controls are fit for purpose, effective, relevant and timely.</p> <p>The function is supported by the co-sourced internal audit function that provides independent assurance of the systems of control.</p>
Line managers	<p>Line managers are responsible for day to day management of risk and for undertaking effective and timely risk assessments for all key activities (i.e. programs, projects and proposals) and identifying and managing appropriate risk treatments and controls.</p>
All DHA employees	<p>All DHA employees are responsible for managing risk in the course of their day to day activities. This includes identifying emerging risks and elevating them in accordance with the risk management framework.</p> <p>Contract managers are responsible for ensuring third parties effectively manage risk in accordance with contractual obligations.</p>
Third parties (engaged by DHA to work on our behalf)	<p>Third parties are expected to manage risk in the course of their day to day activities. This includes identifying emerging risks and elevating them to the contract manager.</p>





PART 4

# Strategic priorities

Achieving our purpose

Strategic Priority 1 — Customers

Strategic Priority 2 — Portfolio

Strategic Priority 3 — Financial

Strategic Priority 4 — Capability

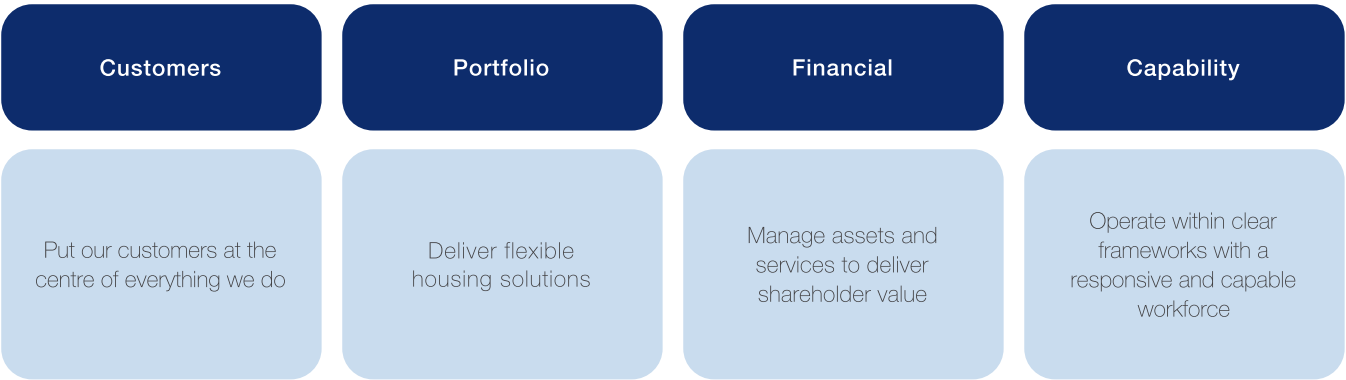




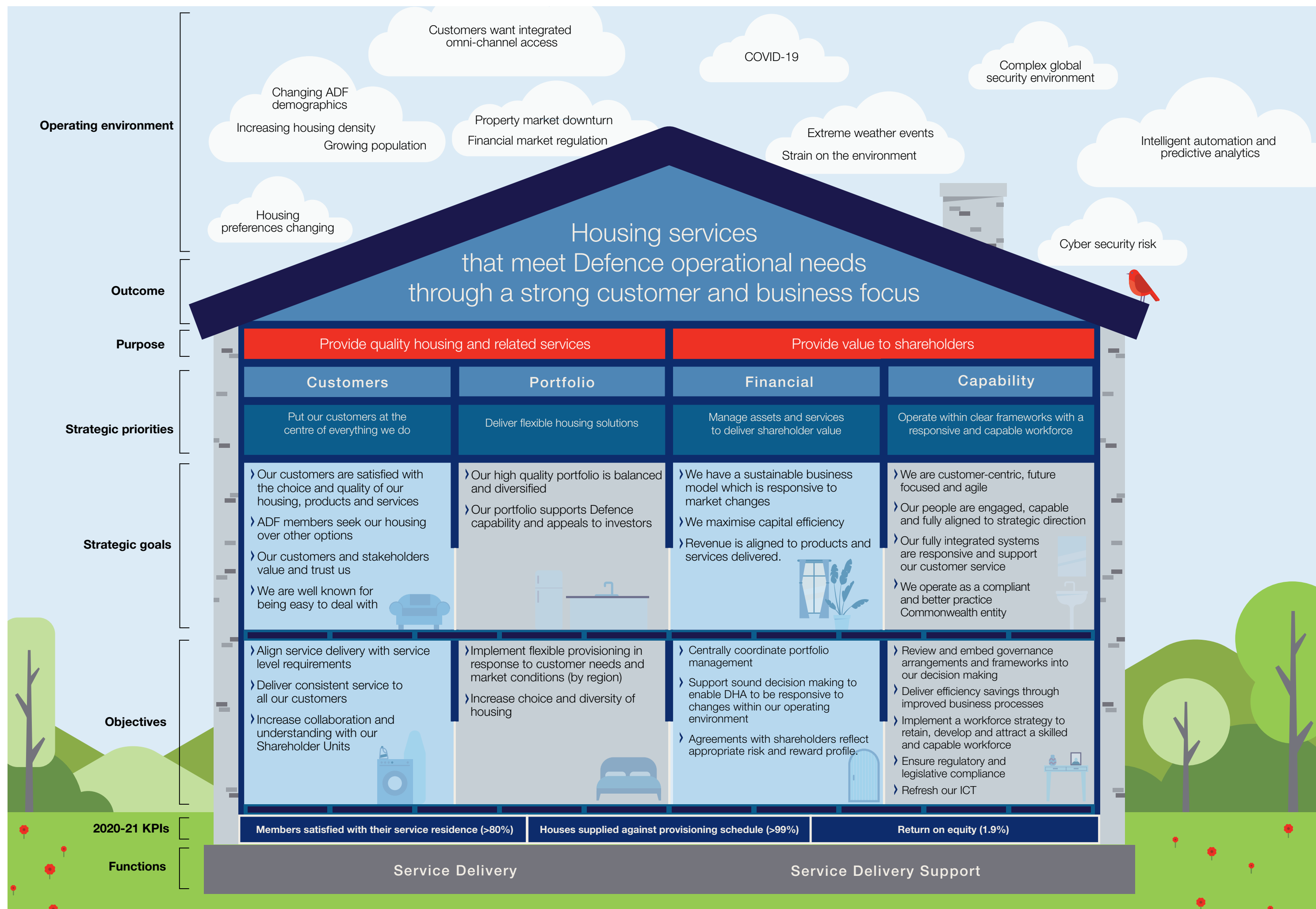


# Achieving our purpose

This corporate plan sets out how DHA achieves the outcome mandated by Government through the following four strategic priorities:



These priorities provide a framework for setting goals to articulate what future success looks like and short term objectives to be achieved over the planning period along with the key initiatives to be delivered, as a step on the way to achieving the longer term future state. This framework is articulated in the DHA Strategic Canvas (overleaf).



# Strategic Priority 1— Customers

Put our customers at the centre of everything we do.

We are a service organisation and take a customer centric approach in delivering for our customers:

- › ADF members and their families—we provide seamless housing services tailored to member requirements and entitlements.
- › The Minister for Defence and Department of Defence—we support Defence capability by delivering housing when and where it is needed in a responsive and efficient manner.
- › The Minister for Finance—we provide value to the Australian Government as a Government Business Enterprise.
- › Investors and lessors—we provide quality housing investment options and property management services to ensure ongoing investment in our business so that the housing needs of our members are met.

The COVID-19 pandemic has required a fundamental change to the way all businesses operate, including DHA. Our response to customers has been adapted over a short period of time with new ways of working put in place. Going forward a number of these innovations will be embedded in DHA in close consultation with the Department of Defence. The implications for our services include:

- › greater use of technology and remote or virtual inspections
- › implementation of additional choice and options for ADF members with different service channels that suit their circumstances
- › development of web based tools to streamline access to services
- › more effective communication with members, investors and contractors.

Customers are central to the success of our entire business, therefore, we need to be flexible, responsive and agile to meet their ongoing and changing needs. DHA has set four strategic goals that summarise what success looks like for this strategic priority and they are the elements critical for success.

## Strategic goals

- › Our customers are satisfied with the choice and quality of our housing, products and services.
  - › ADF members seek our housing over other options.
  - › Our customers and stakeholders value and trust us.
  - › We are well known for being easy to deal with.
- To achieve these strategic goals, DHA will:
- › increase the diversity of housing product in our portfolio, with a focus on greater use of medium density housing options
  - › maintain existing stock within contractual requirements, while improving procurement arrangements with industry
  - › improve our internal operating procedures and update our systems to support consistent and accurate advice to members
  - › improve key processes and interaction with members on rent allowance administration and repairs and maintenance requests, including through utilising new technologies.

## Measuring our success

Progress on key initiatives will be shared with shareholders through quarterly reporting and meetings, in-line with GBE reporting requirements.

Performance indicator	Actual	Performance target			
	2019–20	2020–21	2021–22	2022–23	2023–24
Customer satisfaction	94%	>75%	>75%	>75%	>75%
Member satisfaction with Service Residence	89%	>80%	>80%	>80%	>80%
Investor satisfaction with customer service	97%	>90%	>90%	>90%	>90%



# Strategic Priority 2— Portfolio

## Deliver flexible housing solutions.

DHA provides a range of housing solutions for our customers, including provisioning housing based on the five year forecast of requirements provided by the Department of Defence in the DHF, which is updated annually. Performance against the Approved Provisioning Schedule is measured quarterly by rent band and region, and reported to Defence in accordance with the Defence Services Agreement. Performance measures under the services agreement are being reviewed by DHA and Defence in response to the ANAO's performance audit recommendation regarding KPIs.

To meet the changing needs of our customers, we need to build and maintain a portfolio that delivers flexible housing solutions. DHA has set two strategic goals that summarise what success looks like for this strategic priority and they are the elements critical for success.

### Strategic goals

- › Our high quality portfolio is balanced and diversified.
- › Our portfolio supports Defence capability and appeals to investors.

To achieve these strategic goals, DHA will:

- › focus attention on meeting provisioning requirements at a regional level across the year with less emphasis on individual provisioning programs
- › review and adjust provisioning programs on a quarterly basis to optimise our portfolio and continue to meet Defence housing needs.

## Measuring our success

Progress on key initiatives will be shared with shareholders through quarterly reporting and meetings, in-line with GBE reporting requirements.

Performance indicator	Actual	Performance target			
	2019–20	2020–21	2021–22	2022–23	2023–24
Houses supplied against provisioning schedule	99.26%	>99%	>99%	>99%	>99%



# Strategic Priority 3— Financial

## Manage assets to deliver shareholder value.

DHA delivers value to shareholders through the provision of housing services for ADF members and investment in related housing activities.

Our operations are principally funded through rents, fees and charges for our services from Defence, and other revenue related to maintaining our housing portfolio, including:

- › repatriating invested capital by selling and leasing back properties through our Property Investment Program
- › the disposal of excess land and finished product from our developments
- › the disposal of properties that no longer meet minimum Defence standards or requirements.

Our environment is complex and disrupted. Property markets are volatile, the expectations of Defence members and their families, as well as our staff, have changed, and we are in the midst of a global health crisis which will have unknown economic consequences. The context in which we operate will continue to evolve and we are focused on continuing to move toward more contemporary, efficient, proactive and sustainable ways to deliver housing services.

To respond to these factors and ensure we can achieve and sustain a business model which delivers the housing required to support Defence needs, DHA has set three strategic goals that summarise what success looks like for this strategic priority and they are the elements critical for success.

## Strategic goals

- › We have a sustainable business model which is responsive to market changes.
- › We maximise capital efficiency.
- › Revenue is aligned to products and services delivered.

### Ensuring a sustainable business model

In 2019–20, DHA revised its business operating model to make it an efficient, contemporary service delivery organisation with the revised operating model launched in February 2020. The central feature of the revised model is the creation of a centrally coordinated portfolio management function, underpinned by simplified business processes and refreshed information technology.

To ensure the revised operating model is sustained and to position the organisation for long-term success, DHA is implementing a series of initiatives to streamline its operations aligning its customer service practices to services level requirements. For example, we will improve efficiency in repairs and maintenance through the use of new technological and procurement solutions. Since the launch of the revised operating model in February 2020, DHA has made significant progress in implementing the initiatives:

#### Maximising capital efficiency

Joined with strategic initiatives for the efficient sourcing and management of the housing portfolio and initiatives to drive efficiencies in the delivery of services, DHA will maximize capital efficiency through:

- › promoting efficiency in service operations and associated resource commitments
- › increasing the number of properties sourced from the market (direct leases) to reduce investment, holding costs and capital repatriation costs

- › gaining efficiency in service procurement such as repairs and maintenance and bulk lease arrangements
- › managing inventory property with regard to market cycles and investment returns
- › implementing an enhanced focus on best returns options, within the bounds of housing portfolio needs
- › retiring debt where it does not align with business needs or meet investment return benchmarks
- › closely linking investment capital realisation and capital needs.

#### Revenue is aligned to products and services delivered

Aligning our revenues to services delivered focuses on ensuring a clear link between DHA activities, and their costs, and the revenues earned for performing them.



# Strategic Priority 4— Capability

Operate within clear frameworks with a responsive and capable workforce.

Our organisational capability is the combination of our people, culture, governance principles, processes, systems and knowledge. One of DHA's key strengths is the engagement and commitment of its staff. Our services are highly valued by Defence members and their families, and we can be proud of the support we provide to them.

However, the world around us is changing, customer needs are evolving and new technologies are emerging every day. We need to be ready to embrace these and use them to make it easier to do our job. How we have worked in the past does not enable us to be the efficient and responsive organisation that we will need to be in the future.

During 2019–20, DHA focused on building organisational culture and capability to effectively lead and grow our people and to support the implementation of the revised business model. This included developing a core capability framework to define the core capabilities required across the organisation and ensure employees understand the capabilities required for their role; improving employee accountability through effective performance management and introduced a new online learning portal

that provides modules supporting core capabilities and technical skills required across the organisation.

To prepare the organisation for the next stage of reform, we have delivered an operational workforce plan to build the workforce capabilities required to deliver the refreshed business model and commenced work to determine a sustainable organisational structure and resource requirements to support the structure.

As part of the implementation of the revised business model, DHA has developed a technology strategy to inform DHA's future technology direction and support its digital transformation. The strategy and supporting roadmap will guide our decisions around technology design, delivery and sustainment to make sure DHA's technology is fit for purpose and adaptable so that it can evolve to support DHA's future needs.

For DHA to continue to be agile and able to respond to changing priorities, we need to build and maintain a capable workforce, supported by systems, processes and governance frameworks to perform at the highest levels. DHA has set four strategic goals that summarise what success looks like for this strategic priority and they are the elements critical for success.

## Strategic goals

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>› We are customer-centric, future focused and agile.</li> <li>› Our people are engaged, capable and fully aligned to strategic direction.</li> <li>› Our fully integrated systems are responsive and support our customer service.</li> <li>› We operate as a compliant and better practice Commonwealth entity.</li> </ul> | <p>To achieve these strategic goals, DHA is:</p> <ul style="list-style-type: none"> <li>› improving our leadership capability</li> <li>› ensuring our people have clarity over their role and responsibilities</li> <li>› strengthening our ability to communicate DHA's expectations of employees and manage performance</li> <li>› addressing critical capability gaps across our workforce through learning and development, targeted</li> </ul> | <ul style="list-style-type: none"> <li>recruitment and effective use of the contingent workforce</li> <li>› delivering technology systems that enable fast, clear and simple services</li> <li>› developing frameworks to leverage data as a strategic asset</li> <li>› investing in digital technologies and automation</li> <li>› implementing frameworks and adding capability to better manage cybersecurity and IT risk.</li> </ul> |
|--|---|--|

## Measuring our success

Progress on key initiatives will be shared with shareholders through quarterly reporting and meetings, in-line with GBE reporting requirements.

Performance indicator	Actual	Performance target			
	2019–20	2020–21	2021–22	2022–23	2023–24
Staff retention and turnover rate	16.7%	25%	25%	20%	15%
Staff engagement	N/A <sup>15</sup>	70%	70%	70%	70%
Total recordable injury frequency rate (TRIFR) and OHS incident rate	8.54	<7	<7	<7	<7
Wages and expense ratio <sup>16</sup>	9.3%	10.4%	11.2%	11.8%	12.7%

<sup>15</sup> Staff engagement was not measured during 2019–20 as the APSC did not conduct the annual employee census during the COVID-19 pandemic

<sup>16</sup> Wages and expense ratio is not meaningful in the DHA context as revenue and expense drivers are independent e.g. service related staffing inputs are independent of rental value movements and DHA revenues include significant contributions from non-service sources.





PART 5

# Appendices



# Appendix A— Acronyms and abbreviations

AAI	Accountable Authority Instructions
ACSC	Australian Cyber Security Centre
ADF	Australian Defence Force
ANAO	Australian National Audit Office
APS	Approved Provisioning Schedule
APS	Australian Public Service
BARC	Board Audit and Risk Committee
BIC	Board Investment Committee
CAT	Command Activation Team
CBD	Central Business District
CPI	Consumer Price Index
CRM	Customer Relationship Management
Cth	Commonwealth
DEFCUP	Defence Construction Upgrade Program
DHA	Defence Housing Australia
DHF	Defence Housing Forecast
DPS	Defence Provisioning Schedule
Disposal	The sale of property
DSA	Defence Services Agreement
EA	Enterprise Agreement
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FBC	Future Business Committee
FBT	Fringe Benefit Tax
GBE	Government Business Enterprise
GST	Goods and Services Tax

Leased/leasing	Leasing activity comprises direct leasing, renewals, lease options, variations and extensions
LIA	Living in Accommodation
Inventory	A property that has been identified as having a strategic intention to be disposed
Investment	A property that is held as a strategic asset for the primary purpose of long term provisioning
KPI	Key performance indicator
MCA	Member Choice Accommodation
MWD	Member with dependants
MWD(U)	Member with dependants (unaccompanied)
MWOD	Member without dependants
N & R C	Nomination and Remuneration Committee
NPAT	Net profit after tax
PACMAN	ADF Pay and Condition Manual
PGPA Act	<i>Public Governance, Performance and Accountability Act</i>
POTD	Provisioning over target demand
PIP	Property Investment Program
RA	Rent allowance—an amount paid by Defence to a member to secure a private rental where DHA is unable to provide a suitable service residence and they do not own an own home
RBCH	Rent Band Choice Housing
ROCE	Return on capital employed
ROE	Return on equity
SEG	Senior Executive Group
SR	Service residence—a Property provisioned for entitled ADF Members which is compliant with Defence Minimum Housing Standards and required capital inclusions
SHEQ	Safety, Health, Environment and Quality Committee
TFIFR	Total recordable injury frequency rate
UDIA	Urban Development Institute of Australia

